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HYPOTHETICAL CASE STUDY: FRENCH COMPOSITES TECHNOLOGY COMPANY DOES DEAL IN DALLAS

Super Composites, based in Toulouse, France, is the principal supplier of landing gear doors in France for French military jets and civilian aircraft. This includes a fighter jet, that France is now selling to Qatar, India and Egypt. Up to now, Super Composites sells only outside the United States.



In 2016, J.R. Ewing, CEO of Modern Aircraft, Inc., a Dallas, Texas company, calls Pierre Dupont at Super Composites to discuss a business proposal.



J.R. Ewing asks Super Composites to design landing gear doors for a new regional jet, the “MA 878 Sonic Liner,” to be manufactured at the Modern Aircraft factory in Dallas. The new doors must be lighter and stronger than existing commercial models and made out of the latest, state-of-the-art composites. Super Composites would use some of the advanced composite technology that it incorporates in the doors made for its French customers.

JR's PROTOTYPE FOR HIS "MA 878 Sonic Liner"



Super Composites signs a supply contract for \$50 million with Modern Aircraft and plans to open its first office ever in the United States, a technical design office near the Dallas campus of Modern Aircraft.

So far so good. Pierre Dupont is delighted with his negotiations with J.R. and Modern Aircraft and cannot wait for the dollars to start flowing.



Are there any concerns?

The supply contract was 50 pages long, and Pierre did not read all of the details. For example, he did not study a provision granting Modern Aircraft an exclusive, royalty-free license to all composite technology used in the landing gear doors. Pierre also reads that he must indemnify Modern Aircraft if the technology for the MA 878 Sonic Liner infringes patents held by U.S. competitors.

Pierre calls J.R. and asks if they can change those provisions in the contract. J.R. responded as follows:



KEY CONSIDERATIONS FOR MARKET SUCCESS

IP? What elements make up Pierre's IP? Why should he have stopped and reviewed his IP portfolio before selling his product to companies in the United States? Did he do his diligence and conduct an internal IP audit?



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Trade Secret versus Patent



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IP and the supply contract? How should Super Composites handle new IP and existing IP under its agreements with U.S. companies like Modern Aircraft? How does it document its background IP so Modern Aircraft cannot claim a royalty-free license to use it?



How to avoid claims of patent infringement by competitors? Why does Pierre need a “freedom to operate” assessment to ensure his products avoid violations of third-party IP rights in the United States?

PROGRESS! NOVEMBER 2017: SUPER COMPOSITES OPENS ITS FACILITY IN THE USA



Super Composites does the design work in France and resolves its contract and IP issues thanks to the help of U.S. patent counsel. In 2017, Pierre opens that design and engineering office in Dallas, staffs it, and starts earning revenues in the United States.

Corporate Formation? How can Pierre best repatriate his profits out of Texas and back to France? What about a limited liability company (LLC)? Pierre has heard that an LLC pays **zero taxes**. Is this too good to be true? What about incorporating instead as Super Composites USA Inc.?

Liquidated Damages? Super Composites falls 100 days behind on the delivery of the prototype. J.R. says, “Pay me my penalty of \$2,000 a day.” Pierre argues that there was no damage to J.R., since the MA 878 Sonic Liner is behind production anyway. Who wins? Which state laws apply? Will the Texas Judge apply his blue pencil and amend the contract?

Global Mobility? Modern Aircraft USA wants Jean-Pierre and Francois to fly over from France to help finalize and test the design for two months. Do they need a work visa? Jean-Pierre just came back from a sales trip with AIRBUS to Iran. Any problems with using visa waiver? What about Pierre, Jr.? How can he best come over and run the office for his father?

Employment Contracts and IP? Pierre wants to hire Joe Smith as Vice President of Business Development. What confidentiality and non-solicitation provisions should go into his contract to protect the IP? Can Super Composites USA enforce a non-compete? What state law applies?

IP Licensing? What if Super Composites technology is based upon a license from its 3D printing supplier in France? Does this complicate things?

Trademarks? Super Composites wants to do business with Gulfstream, Boeing, Bombardier, and Lockheed Martin: Can it register “Super Composites” in the USA? Does it have to register, or can it use the name and rely on the French trademark?

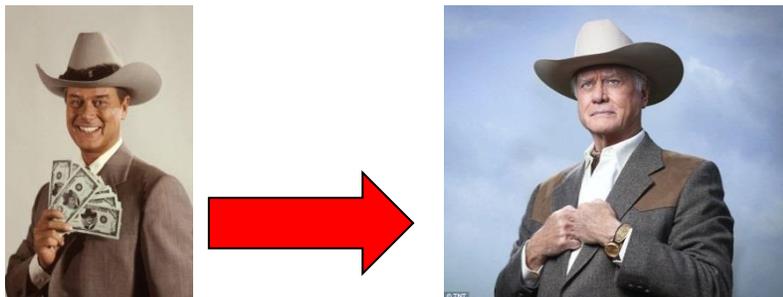


New Patents or Trade Secrets? Super Composites wants to patent the modified design that it developed in the USA and sell it to other aircraft manufacturers. Does Super Composites have issues?

International Traffic in Arms Regulations (ITAR) and Export Controls? Pierre, Jr. calls from Dallas worried because he sent technical data relating to the new doors to the server at the home office in Toulouse. Did he need to get an ITAR export license? The design has military applications. What about the French employees working in Dallas? Is there a “deemed export” problem under ITAR? How do we get an export control compliance plan and program in place?

THREE YEARS LATE: 2019 STORM CLOUDS?

J.R. has major overruns at Modern Aircraft on the MA 878 Sonic Liner. He stops paying and does not have the same old bounce in his step. J.R. looks years older. Now Pierre is really worried.



IP Contract Remedies? What are Super Composites’ remedies? Who owns all of the IP that went into the design if the contract is terminated?

Resolving the Dispute? Arbitration or mediation? Federal or state court?

Can Pierre Pivot? Can Super Composites get flexible, form a joint venture or teaming agreement with another business partner in the United States and move on after Modern Aircraft?

PIVOT



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CONCLUSION

A well-defended IP portfolio is a key to success when entering U.S. markets and establishing a competitive position. Get advice early on your IP before you sign a supply contract and invest in the United States. Develop and implement an IP security plan to maximize your profits and growth in one of the world's most dynamic and advanced marketplaces. With some planning, you increase the likelihood that you can be successful.



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